

**Assessment Schedule – 2006****Economics: Understand marginal analysis and the behaviour of firms (90629)****Evidence Statement**

Code	Q	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	<b>One</b> (a) (i)	A marketing technique used by a firm to try to make their good/service appear superior to that of the competition.	Correct definition		
A1	(a) (ii)	<ul style="list-style-type: none"> <li>Offers air points</li> <li>Offers “excellent” service</li> </ul>	ONE correct example		
A1	(b)	QANTAS, Jetstar, Pacific Blue, Emirates, Lan Chile, Aerolinas Argentina, Freedom Air, Singapore Airlines, Air Tahiti Nui, Polynesian Airlines, Malaysia Airlines, Royal Brunei, Thai Airlines, or any other international carriers that fly between New Zealand and Australia (NOT Air New Zealand)	TWO correct examples		
A1	(c) (i)	Oligopoly	Correct market type		
A1	(c) (ii)	<ul style="list-style-type: none"> <li>A few large firms</li> <li>Strong barriers to entry</li> <li>Some control over price</li> <li>Firms face a kinked demand curve</li> </ul> Note: If (c)(i) answered incorrectly, can still get (c)(ii) if features match market structure described in (c)(i).	THREE correct features		
A2	<b>Two</b> (a)	$\frac{MU_{\text{dresses}}}{P_{\text{dresses}}} = \frac{MU_{\text{shoes}}}{P_{\text{shoes}}}$ Note: accept rule/formula if it is correctly stated in words	Correct rule	Gives rule AND applies it correctly (ie BOTH (a) and (b) correct)	
A2 or M2*	(b)	(i) 2 dresses (ii) 2 pairs of shoes	BOTH correct		
A2	(c)	Law of diminishing marginal utility	Correct law		
A2 or M2*	(d)	Ideas of: <ul style="list-style-type: none"> <li>If the price increases, P exceeds MU, and the price paid for an additional dress would outweigh the extra satisfaction derived from it.</li> <li>Thus Noi would decrease her purchases of dresses, causing MU to rise (law of diminishing marginal utility) until it equals the new (higher) P.</li> </ul>	Describes ONE key point	Explanation includes BOTH points	

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A2	Three (a) (i)	<b>Cost Table for <i>Exclusive Boutik Dress Company</i></b> <table><tr><td>Quantity of dresses</td><td>Total cost (\$)</td><td>Average cost (\$)</td><td>Marginal cost (\$)</td></tr><tr><td>0</td><td>0</td><td>-</td><td>-</td></tr><tr><td>1</td><td>150</td><td><b>150</b></td><td>150</td></tr><tr><td>2</td><td>350</td><td>175</td><td><b>200</b></td></tr><tr><td>3</td><td>600</td><td>200</td><td>250</td></tr><tr><td>4</td><td><b>1000</b></td><td><b>250</b></td><td>400</td></tr></table>	Quantity of dresses	Total cost (\$)	Average cost (\$)	Marginal cost (\$)	0	0	-	-	1	150	<b>150</b>	150	2	350	175	<b>200</b>	3	600	200	250	4	<b>1000</b>	<b>250</b>	400	ONE correct calculation in each column		
Quantity of dresses	Total cost (\$)	Average cost (\$)	Marginal cost (\$)																										
0	0	-	-																										
1	150	<b>150</b>	150																										
2	350	175	<b>200</b>																										
3	600	200	250																										
4	<b>1000</b>	<b>250</b>	400																										
A2	(a) (ii)	Yes, as the marginal cost of producing an additional dress is increasing	Recognises that increasing MC suggests diminishing returns																										
A2 or M2#	(a) (iii)	<table><tr><th colspan="2">Supply schedule for <i>Exclusive Boutik dresses</i></th></tr><tr><th>Price (\$)</th><th>Quantity of dresses</th></tr><tr><td>100</td><td><b>0</b></td></tr><tr><td>200</td><td><b>2</b></td></tr><tr><td>300</td><td><b>3*</b></td></tr><tr><td>400</td><td><b>4</b></td></tr></table> <p>*3 and a partial dress acceptable.</p>	Supply schedule for <i>Exclusive Boutik dresses</i>		Price (\$)	Quantity of dresses	100	<b>0</b>	200	<b>2</b>	300	<b>3*</b>	400	<b>4</b>	Any TWO values correct	All FOUR values correct													
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A2 or M2†	(b)	Ideas of: <ul style="list-style-type: none"><li>Diminishing returns means that more variable factors are required to produce each additional dress, so the marginal cost of producing dresses increases.</li><li><i>Exclusive Boutik</i> will only supply a dress if the price covers the (marginal) cost of producing it, so a higher price is required for each additional dress supplied (ie the supply curve is upward-sloping).</li></ul>	Describes ONE key point	Explanation includes BOTH points																									
E2	<b>Two</b>  <b>Three</b>	(b) M2* (d) M2* (a) (iii) M2#			M2# AND ONE M2*																								
E2	<b>Two</b>  <b>Three</b>	(b) M2* (d) M2* (b) M2†			M2† AND ONE M2*																								

Code	Q	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A2	<b>Four</b> (a) (i)	<p>Graph 1: New Zealand Ice Cream Firm in Melbourne</p>	MC is correct shape, labelled, and intersects AC at its minimum		
A3*	(a) (ii)		MR is twice the slope of AR, and $P_M$ and $Q_M$ are labelled and positioned correctly		
A2*	(b)	<p>Graph 1: New Zealand Ice Cream Firm in Melbourne</p>	AC is correct shape, moved downwards, labelled, and intersects MC at its minimum		
A3 or M3*	(c)	<p>Ideas of:</p> <ul style="list-style-type: none"> <li>A firm produces at its profit-maximising position when <math>MR = MC</math></li> <li>Decreasing fixed cost doesn't change the MC of producing ice cream, so the firm has no reason to move from <math>Q_M</math></li> </ul>	Describes ONE key point	Explanation includes BOTH points	
E3	<b>Four</b>  <b>Five</b>	(a) (ii) A3* (b) A2* (c) M3* (a) (i) A3*			All FOUR * grades

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A3	<b>Five</b> (a) (i)	<p><b>GRAPH 2. A PERFECTLY COMPETITIVE ICE CREAM FIRM IN NEW ZEALAND</b></p>	BOTH $P_{PC}$ and $Q_{PC}$ are correctly located (where $MR [=AR] = MC$ )		
A3#	(a) (ii)		AC cuts MC at its minimum above AR AND sub-normal profit rectangle is shaded and correct (ie height = gap between AC and AR at $Q_{PC}$ )		
A3#	(a) (iii)	<p><b>GRAPH 2. A PERFECTLY COMPETITIVE ICE CREAM FIRM IN NEW ZEALAND</b></p>	Shifts AR to minimum AC, AND correctly locates and labels BOTH $P_{LR}$ and $Q_{LR}$ (where MC cuts AR1)		
A3 or M3#	(b)	<p>Ideas of:</p> <ul style="list-style-type: none"> <li>The higher long run price (due to firms leaving the market) means <math>MR_1</math> exceeds MC at <math>Q_{PC}</math>, so the firm is not maximising its profit.</li> <li>The firm is missing out on marginal profits at all output levels between <math>Q_{PC}</math> and <math>Q_{LR}</math> so increasing output to <math>Q_{LR}</math> will gain these profits and thus maximise its total profit (as <math>MR_1</math> now equals MC).</li> </ul>	Describes ONE key point	Explanation includes BOTH points	
E3	<b>Four</b> <b>Five</b>	(a) (ii) A3* (a) (i) A3* (a) (ii) A3# (a) (iii) A3# (b) M3#			All THREE # grades and ONE A3*

**Judgement Statement**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
1 × A1 1 × A2 1 × A3 7 other A or M  (10/25)	1 × M2 1 × M3 1 × A1 1 × A2 1 × A3 6 other A or M or E  (11/25)	1 × E2 1 × E3 1 × M2 1 × M3 1 × A1 1 × A2 1 × A3 6 other A or M or E (13/25)
<b>Note:</b> A1 relates to the first criterion A2, M2 and E2 relate to the second criterion A3, M3 and E3 relate to the third criterion.		